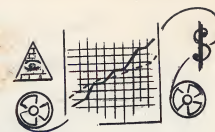


COMPUTER PROCESSING UPDATER

COMPUTER APPLICATIONS IN THE BANKING COMMUNITY



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OVERUSE OF JARGON WORDS IS ANOTHER BANKING PROBLEM... ABA CONTINUES DEFENSE OF ITS STOCK CERTIFICATE PLAN... MONEY DISPENSER PERMITS 24-HOUR SERVICE AT LASALLE NATIONAL BANK.

AUTOMATED BANKING ALSO PLAGUED BY THE BLIGHT OF JARGON

HOUSTON... Many industries have long been plagued by the users of jargon, the technicians on various levels who, perhaps to boost their own feeling of importance, use words and phrases that have a professional sound and may impress others. The trouble is that while others may be impressed, they are also baffled. Communication suffers and work is not advanced.

BANKING INVADED

And now, with the spread of automation, jargon has made its irritating way into the banking business. That fact was pointed out by Dallas banker John L. Gibson in a recent speech at Houston. Discussing requirements for loan automation, Mr. Gibson emphasized that a basic need is a comprehensive means of communication.

He spoke of communications lines between the automation department, the controller's division and the installment loan department. He added, however, that before exploring the individual areas, he wished to discuss a basic problem — that of jargon, "buzz phrases" or "buzz words."

BAFFLEMENT

As Mr. Gibson put it: "When someone from the automation department uses the buzz phrase, 'balanced incremental flexibility,' to describe a situation, the uninformed installment loan manager is completely baffled. Gibson compared the situation with that of an economist trying to explain a

statement he had made to a layman: "I know you believe you understand what you think I said, but I am not sure you realize that what you heard is not what I mean."

The speaker then pointed out that, as he put it, the installment loan personnel have their own jargon, too, which is just as confusing to outsiders as the automation "buzz phrases are to us." He added: "So would it not be in the best interest of all concerned to use more readily understandable language in communications? Mr. Gibson is senior vice president of the Republic National Bank, Dallas.

STEPS SUGGESTED

In his discussion of communications, Mr. Gibson said, "it has been found most helpful to train one or more of the installment loan employees to perform liaison duties between the automation and installment loan departments. The liaison employee must be thoroughly familiar with all aspects of the installment loan department and should have adequate training in the complexities and capabilities of the computer.

"This saves time and money in solving our mutual problems. Many valuable man hours are lost each month, simply because adequate check and balance systems are not established between the installment loan and the automation departments.

"Since there is the human element involved in both departments, errors are bound to occur, but the expensive impact of these errors can be minimized if

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systems are established which will permit immediate error detection and simplified cross-checking or balancing procedures."

JOB FOR MANAGEMENT

Mr. Gibson said: "Installment loan management must be constantly alert for ways and means to reduce costs of operation. One of the most effective means of reducing costs is to review all departmental procedures that are repeated many times a day, to determine if the procedures are necessary, or if they can be modified or eliminated, thereby reducing expenses without jeopardy to sound banking. The computer can provide the answer in many cases."

THE ABA DEFENDS ITS STOCK CERTIFICATE PLAN

NEW YORK . . . The American Bankers Association has continued to defend its position on a punched card stock certificate, even though critics say it doesn't amount to much in a technological way. The ABA concedes that some of the criticism of the proposed punched card certificate may be warranted but adds that the plan is enormously better than the system currently in use by the brokerage industry.

REPORT HITS PLAN

The most telling criticism was advanced by Lybrand, Ross Bros. & Montgomery, a New York accounting firm. The Lybrand firm conducted a major study; its findings were that the ABA plan was a "technological step backwards."

That report had been commissioned more than a year ago. It was conducted by a research team at Columbia University. The study proposed a "locked-in trade" as the most efficient approach. The locked-in approach is based on electronic transmittal of trade data at the time of the transaction.

And according to the Lybrand report, the advantages possessed by the punched-card certificate are merely "superficial." The report goes on to say that machines designed and programmed to handle punched-card certificates enjoyed their vogue in the 1950s; throughout the 1960s most of the important electronic data processing users phased out their punched card equipment in favor of machines relying chiefly on magnetic tape input and output.

IDOLATRY SLIPPING

NEW YORK . . . Another thing we'll experience in the decade of the 70's, according to Isaac L. Auerbach, is the dethronement of the Computer as an object of worship. The president of the Auerbach Corporation says the idolatry was encouraged by a generation of users who had helped in the careful refinement of the product. Auerbach says that soon, however, the field will be occupied by a new generation of users who have grown up with the magic monster and who know it as just another fancy tool, such as the telephone.

Additional comment on the Lybrand report came in the American Banker newspaper. Gerald M. Lowrie, ABA director of automation and payment systems, wrote: "There is no argument that punched cards are backward, technologically." He agreed that a stock transfer system operating completely electronically and totally without physical movement of certificates would be preferable ultimately — for the long run. He insisted, however, that such a system is "not realistically attainable right now."

THE TIME ELEMENT

A punched card certificate system can be implemented today, Lowrie added. "The technology exists *now* and such a system can be operated on equipment now in use."

Lowrie suggested that to get "all the powers that be" together on all the ramifications — legal as well as technological — of a "certificateless society" can not be done quickly enough to answer the brokerage industry's immediate paperwork problems. He added: "the gravity of the present situation is such that we have to come up with answers now."

Charging Ahead

A late tabulation finds that no fewer than 60,000,000 Americans hold cards for one or another of the various banking charge card plans. Sixteen of the country's 20 largest banks now offer such plans.

BANKERS CALLED LONG ON TALK, SHORT ON PLANNING FOR CHECKLESS FUTURE

LOS ANGELES... The argument over the so-called checkless banking trend continues. One survey finds that most of the long-range planning by banks is still in an early stage, and a great many bankers are doing more talking than thinking about the changes that may lie ahead.

The required technology development, however, is not waiting. This fact is emphasized by marketing of the Electrospace Corporation Insta-tran terminal which electronically transfers funds from a purchaser's bank account to the merchant's account, and provides a receipt in the same operation. Paper checks are eliminated.

The finding that too many bankers are doing too little planning for the checkless time ahead was reported by San Diego State College Assistant Professor Robert W. Haas. Mr. Haas conducted a survey of attitudes and opinions of long-range bank planners in 232 of the nation's largest commercial banks. His observations were first carried in the Autumn Bankers Magazine:

"Regarding the 'less-check' society, most long-range bank planning appears to be in the early stage of development. This does not, however, apply to all the banks surveyed since a number have already formulated definite plans regarding the 'less-check' society and its possible effects, both on the industry and their respective banks.

"LITTLE THOUGHT"

"The larger banks in the survey appear to have done the most planning. For the most part, however,



Mellon Bank and Trust Company in Pittsburgh — now celebrating its centennial — has one of banking's most modern electronic data processing operations. Among its other duties, the large downtown data center processes each night some 400,000 checks from more than 100 respondent banks in the eastern United States. Here, Vice President, George DiNardo examines one of the high-speed magnetic tapes used to store vital facts and figures.

bankers are talking much about the 'less-check' society, but giving little thought to serious planning for operating in such an era."

Mr. Haas continued: "There are great competitive implications in that some very large banks have formulated definite plans pertaining to the ramifications of 'less-check' banking on their respective banks. This planning today may give these banks a great edge over their competitors — both large and small — who are making no plans at all."

SYMPOSIUM TO TAKE UP PAYMENTS SYSTEMS PLANNING

NEW YORK... Monetary authorities from several nations are expected to attend an International Symposium on Payment Systems, to be held in San Francisco April 29 — May 1. The meeting will be jointly sponsored by the American Bankers Association and the Canadian Bankers Association; it will follow the ABA's Annual Automation Conference.

Richard P. Cooley, chairman of the ABA Monetary

and Payments System Planning Committee, said: "There should be much to gain from an interchange of ideas among key people working in payment systems planning in the nations that are now developing new payments mechanisms.

He said, "We hope to attract representatives from Australia, Denmark, England, France, Italy, Germany, Japan, Mexico, New Zealand, Switzerland, Sweden as well as the United States and Canada."

MONEY DISPENSER TO PERMIT 24-HOUR SERVICE AT CHICAGO BANK

CHICAGO . . . La Salle National Bank has announced the purchase of a Docuteller Currency Dispenser from Docutel Corporation, Dallas. The cash-dispensing machine, first of its kind in the Chicago area, is to be installed this summer as part of La Salle's overall remodeling program for improved customer services.

In making the announcement, Milton F. Darr, Jr., chairman, and Frank G. Price, president, said, "The installation of this revolutionary machine will enable La Salle National Bank to provide a 24-hour money service for our customers 365 days of the year. We recognize that many customers have need for cash before or after regular banking hours and on weekends and holidays."

EVEN ON SUNDAY

"The currency dispenser will make it easy for bank customers to get money quickly, day or night, even on Sundays," the bankers said. "Bank customers will be issued money cards, plus a personal identification number. On the back of the card will be a magnetic stripe containing customer and bank data."

To get money from the currency dispenser, the customer inserts his card, keys in the identification number, and if all is in order, selects one of two denominations. Within seconds, the card is returned

and a drawer opens containing a bundle of cash and a receipt of the transaction. A copy of the receipt is retained by the machine for use as a debit voucher.

The executives stressed that the La Salle money card will be useable only by the proper cardholder through tested security codes in the card and special recognition devices built into the machine. They said, "Magnetic money cards are virtually 100 percent safe, so lost or stolen cards will not be a problem as with cards lacking the magnetic stripe."

SERVICES CAN BE ADDED

In the initial stages of the new service, customers using La Salle's Select Check Credit Service will receive new cards with the magnetically encoded stripe necessary to activate the machine. The service will also be made available to all La Salle Customers.

The machine is designed so that additional banking functions can be added later. The Docutel dispenser is called the first step towards the unmanned teller station. It is designed to integrate with products now under development that will comprise a totally automated banking system. Through this experience, the bankers say, they will be building a good foundation for any money card developments that may come along for the banking industry.

CLEARING ASSN. ACTS TO MEET MOUNTING WORK LOAD

PARAMUS, NEW JERSEY . . . The Bergen County Clearing Association in Paramus has ordered a Burroughs B500 computer system in anticipation of an increase in workload and membership, said Frank Abitabile, clearing house manager.

The association is presently using a Burroughs B273 computer system to clear and sort an average of 125,000 checks daily for the 39 member banks. It services all of the banks in Bergen County. The membership also includes banks from Passaic, Hudson, Essex and Morris Counties.

HOW IT WORKS

"Basically, a routine clearing process — literally an exchange of checks — enables banks to retrieve checks written by customers for posting to their

accounts," the manager explained.

"Part of the clearing process also involves a transfer of credit from bank to bank in an amount equal to the total value of cancelled checks each bank gets back; a transaction which is shown on a settlement sheet," Abitabile said.

"At the time that Bergen County Clearing Association was formed in 1959, officials of the 20 charter banks envisioned an association which would significantly accelerate the entire clearing process among members.

"In that way, the customer's checking account balance would reflect the most up-to-date entries possible — a decided advantage for banks in diminishing their problems with bad checks."